

ON-SITE SYSTEMS, INC REG. IN
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OFFICE OF THE

EXECUTIVE SECRETARY

May 7, 2001

Mr. David Waddell
Executive Secretary
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, TN 37243-0505

RE: Docket # 00-01128 – Petition of On-Site Systems, Inc. to amend its Certificate of Convenience and Necessity – City of Coopertown

Dear Mr. Waddell:

We have petitioned the Tennessee Regulatory Authority to expand our certificate of Convenience and Necessity to include the City of Coopertown in Robertson County (Docket # 00-01128). This is a significant undertaking for our utility company. While the Pickney brothers have been providing sewer maintenance services to cities for many years, this is the first time that a city has granted On-Site Systems a franchise to provide sewer service. The following is in response to the questions presented by the staff of the Tennessee Regulatory Authority to On-Site Systems.

Coopertown Franchise:

In our discussions and meetings with the leaders and citizens of Coopertown, we explained that we are basically an operations and maintenance company and that anyone wanting sewer service would have to pay the capital costs associated with receiving that service. With that in mind, it is most likely that new residential developments and new and existing commercial establishments, which can readily justify the costs of building the needed systems, will be our first customers. Since our systems are decentralized, we envision that several treatment systems will be built in the city.

As new developments come to Coopertown, On-Site Systems should have no problem providing sewer service since the developers will pay the capital costs of the systems and we have the maintenance capability to service large numbers of customers.

Franchise Fee:

The proposed sewer rate for each residential customer in Coopertown is based on the rates previously set by the Tennessee Regulatory Authority for the type of technology being used to provide the sewer service. The proposed franchise fee would be a pass through cost that would be added to the flat monthly rate being charged. As an example, for watertight effluent collection, sand-gravel filter treatment and drip irrigation, the proposed amount for sewer service is \$35.11. If a \$4.00 per month franchise fee is passed through to the customer, the amount the customer would pay would be \$39.11. The \$4.00 collected would be sent to the City of Coopertown. The franchise fee for commercial customers would be passed through in a similar manner.

On-Site Systems will only charge franchise fee to customers living within the city limits of Coopertown. This will be insured through our billing system. The billing system at On-Site Systems has the capabilities of applying a single rate to all customers. The proposed franchise fee was set by the City of Coopertown in Ordinance 01-01. I am not sure of all of the factors that went into the City's decision as I was not present for the deliberations of city officials. I have requested that an official from the city of Coopertown address the Tennessee Regulatory Authority regarding franchise fee amounts.

Rate Change

When On-Site Systems petitioned the Tennessee Regulatory Authority to serve Townsend Town Square in July of 2000, it was an important event. This was our first system that would be constructed to serve commercial customers. The petition included a proposed rate structure for commercial customers with food service and without food service and was based on Pickney Brothers experience with maintaining these types of facilities. While this rate structure was well suited for the customers that would occupy the shopping center of Townsend Town Square, it does not work well for a single customer that has large daily water usage and flows such as a school or a motel. As On-Site Systems grows and services larger areas, we must find a way to serve new types of customers on a fair basis. That is the situation we are now facing.

In the City of Coopertown, we are likely to have a large motel, a large restaurant and a school as customers. In order to serve these types of customers, and have the fee be proportioned to the cost of providing the needed sewer service, we need to revise our commercial rate structure as marked on the proposed commercial rate sheets. As an example, referring to the rate schedule marked existing, if we were to provide sewer service to Coopertown Elementary School using water tight effluent collection, sand-gravel filter treatment and subsurface disposal, and the design daily flow for the school is 10,000 gallons, the monthly sewer bill for the school under the existing rate structure would be \$1,756.00. This is too high based on the costs of providing the

service. In commercial systems the facilities for collecting and treating the waste require more intense maintenance procedures and the cost to provide maintenance for five or six small systems as compared to a single large system is considerable less.

Based on the Pickney Brothers experience with providing maintenance service for schools and other commercial systems over the years, we feel the revised rate would result in a fair amount for a large commercial customer to pay and appropriate for the maintenance services provided.

Referring to the rate schedule for commercial systems with food service marked proposed – the cost to provide sewer service to Coopertown Elementary School with a design daily flow of 10,000 gallons would be \$1,560.00. This would be a reduction of \$196.00 per month for that customer.

The only commercial customers we presently have are at Townsend Town Square Shopping Center and they are paying the current rate which is appropriate for them. In order to provide for large commercial customers at Coopertown and other new service areas to come, it is important that we make this adjustment now, before we have that type of customer.

While this adjustment will have no effect on existing revenues, it will result in lower future revenues from large commercial customers.

If you need any additional information, please let me know.

Sincerely,

A handwritten signature in cursive script, appearing to read "Charles L. Pickney, Jr.", written in dark ink.

Charles L. Pickney, Jr.
President

EXISTING

Tariff Rate Sheet

Commercial Sewer Rates - without food service

The monthly sewer charge per customer is based on the design daily flow expected from the type of establishment being served. A minimum of \$75 per month will be charged for up to the first 300 gallons per day of design flow expected. (Except off-site which will have a \$73.00 minimum plus pass through costs.) For each additional 100 gallons per day of design flow expected, up to a total of 1,000 gallons per day, an additional charge of \$15.00 per month per 100 gallons will be levied. For design flows expected over 1,000 gallons per day, the following additional monthly charges per 1,000 gallons of daily flow will apply:

Disposal

<u>Treatment</u>	<u>Drip Irrigation</u>	<u>Point Discharge</u>	<u>Off Site</u>
	<u>Sand-Gravel Filter</u>	\$140.00	\$165.00
	<u>Lagoon</u>	\$116.00	\$140.00
	<u>* Off Site</u>	N/A	N/A
			Pass through costs & \$73.00

Additional surcharges will apply when customers exceed their expected design flows. For any month that a customer's water meter reading exceeds the expected design flow, the following surcharges will apply:

<u>Excess water usage</u>	<u>Surcharge</u>
1 gallon to 1,000 gallons above expected design flow	\$175.00
1,001 gallons to 2,000 gallons above expected design flow	\$200.00
Over 2,000 gallons above expected design flow	\$200.00/1,000 gallons

If the water meter readings exceed the design flow for any three consecutive months, the monthly charge will be revised to reflect the increased usage and any capital costs associated with increasing the capacity of the system will be paid by the customer.

* Off Site means treatment and disposal by another entity such as a city or utility district.

Fees : Nonpayment - 5%, Disconnection - \$10,
Reconnection - \$15, Returned Check - \$20

PROPOSED

Tariff Rate Sheet

Commercial Sewer Rates - without food service

The monthly sewer charge per customer is based on the design daily flow expected from the type of establishment being served. A minimum of \$75 per month will be charged for up to the first 300 gallons per day of design flow expected. (Except off-site which will have a \$73.00 minimum plus pass through costs.) For each additional 100 gallons per day of design flow expected, up to a total of 1,000 gallons per day, an additional charge of \$15.00 per month per 100 gallons will be levied. For design flows expected over 1,000 gallons per day, up to 3,000 gallons per day, the following monthly charges per 1,000 gallons of daily flow will apply.

Disposal

Treatment

	<u>Drip Irrigation</u>	<u>Point Discharge</u>	<u>Off Site</u>
<u>Sand-Gravel Filter</u>	\$140.00	\$165.00	N/A
<u>Lagoon</u>	\$116.00	\$140.00	N/A
<u>* Off Site</u>	N/A	N/A	Pass through costs & \$73.00

For design daily flows over 3,000 gallons, the monthly charge on all system configurations will be \$116.00 per 1000 gallons of daily flow.

Additional surcharges will apply when customers exceed their expected design flows. For any month that a customer's water meter reading exceeds the expected design flow, the following surcharges will apply:

Excess water usage	Surcharge
1 gallon to 1,000 gallons above expected design flow	\$175.00
1,001 gallons to 2,000 gallons above expected design flow	\$200.00
Over 2,000 gallons above expected design flow	\$200.00/1,000 gallons

If the water meter readings exceed the design flow for any three consecutive months, the monthly charge will be revised to reflect the increased usage and any capital costs associated with increasing the capacity of the system will be paid by the customer.

* Off Site means treatment and disposal by another entity such as a city or utility district.

Fees : Nonpayment - 5%

Disconnection - \$10

Reconnection - \$15

Returned Check - \$20

City of Coopertown Franchise Fees:

1,000 gallons per day or less:

\$10.00/month

Over 1,000 gallons per day:

\$35.00/month

EXISTING

Tariff Rate Sheet

Commercial Sewer Rates - with food service

The monthly sewer charge per customer is based on the design daily flow expected from the type of establishment being served. A minimum of \$100 per month will be charged for up to the first 300 gallons per day of design flow expected. (Except off-site which will have a \$94.00 minimum plus pass through costs.) For each additional 100 gallons per day of design flow expected, up to a total of 1,000 gallons per day, an additional charge of \$18.00 per month per 100 gallons will be levied. For design flows expected over 1,000 gallons per day, the following additional monthly charges per 1,000 gallons of flow will apply:

Disposal

<u>Treatment</u>	<u>Drip Irrigation</u>	<u>Point Discharge</u>	<u>Off Site</u>
	<u>Sand-Gravel Filter</u>	\$170.00	\$192.00
	<u>Lagoon</u>	\$142.00	\$163.00
	<u>* Off Site</u>	N/A	N/A
			Pass through costs & \$94.00

Additional surcharges will apply when customers exceed their expected design flows. For any month that a customer's water meter reading exceeds the expected design flow, the following surcharges will apply:

<u>Excess water usage</u>	<u>Surcharge</u>
1 gallon to 1,000 gallons above expected design flow	\$210.00
1,001 gallons to 2,000 gallons above expected design flow	\$220.00
Over 2,000 gallons above expected design flow	\$220.00/1,000 gal

If the water meter readings exceed the design flow for any three consecutive months, the monthly charge will be revised to reflect the increased usage and any capital costs associated with increasing the capacity of the system will be paid by the customer.

* Off Site means treatment and disposal by another entity such as a city or utility district.

Fees : Nonpayment - 5%, Disconnection - \$10,
Reconnection - \$15, Returned Check - \$20

PROPOSED

Tariff Rate Sheet

Commercial Sewer Rates - with food service

The monthly sewer charge per customer is based on the design daily flow expected from the type of establishment being served. A minimum of \$100 per month will be charged for up to the first 300 gallons per day of design flow expected. (Except off-site which will have a \$94.00 minimum plus pass through costs.) For each additional 100 gallons per day of design flow expected, up to a total of 1,000 gallons per day, an additional charge of \$18.00 per month per 100 gallons will be levied. For design flows expected over 1,000 gallons per day, up to 3,000 gallons per day, the following additional monthly charges per 1,000 gallons of daily flow will apply:

<u>Treatment</u>	<u>Drip Irrigation</u>	<u>Point Discharge</u>	<u>Off Site</u>
Sand-Gravel Filter	\$170.00	\$192.00	N/A
Lagoon	\$142.00	\$163.00	N/A
* Off Site	N/A	N/A	Pass through costs & \$94.00

For design daily flows over 3,000 gallons, the monthly charge on all system configurations will be \$142.00 per 1000 gallons of daily flow.

Additional surcharges will apply when customers exceed their expected design flows.

For any month that a customer's water meter reading exceeds the expected design flow, the following surcharges will apply:

Excess water usage	Surcharge
1 gallon to 1,000 gallons above expected design flow	\$210.00
1,001 gallons to 2,000 gallons above expected design flow	\$220.00
Over 2,000 gallons above expected design flow	\$220.00/1,000 gal

If the water meter readings exceed the design flow for any three consecutive months, the monthly charge will be revised to reflect the increased usage and any capital costs associated with increasing the capacity of the system will be paid by the customer.

* Off Site means treatment and disposal by another entity such as a city or utility district.

Fees : Nonpayment - 5%

Disconnection - \$10

Reconnection - \$15

Returned Check - \$20

City of Coopertown Franchise Fees:

1,000 gallons per day or less:

\$10.00/month

Over 1,000 gallons per day:

\$35.00/month